

Message Text

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PAGE 01 BAGHDA 00394 010906Z

ACTION NEA-10

INFO OCT-01 ISO-00 FEA-01 ERDA-05 AID-05 CEA-01 CIAE-00

COME-00 DODE-00 EB-08 FPC-01 H-01 INR-07 INT-05 L-03

NSAE-00 NSC-05 OMB-01 PM-04 USIA-06 OES-06 SP-02

SS-15 STR-04 TRSE-00 ACDA-07 XMB-02 EUR-12 ARA-06

AF-08 /126 W

-----011059 088023 /23-12

R 010725Z MAR 77

FM USINT BAGHDAD

TO SECSTATE WASHDC 4240

INFO AMEMBASSY ABU DHABI

AMEMBASSY ALGIERS

AMEMBASSY ANKARA

AMEMBASSY CAIRO

AMEMBASSY CARACAS

AMEMBASSY DAMASCUS

AMCONSUL DHAHRAN

AMEMBASSY XOHA

AMEMBASSY JAKARTA

AMEMBASSY JIDDA

AMEMBASSY KUWAIT

AMEMBASSY LAGOS

AMEMBASSY LIBREVILLE

AMEMBASSY LONDON

AMEMBASSY MANAMA

AMEMBASSY MOSCOW

AMEMBASSY MUSCAT

AMEMBASSY QUITO

AMEMBASSY TEHRAN

AMEMBASSY TRIPOLI

C O N F I D E N T I A L BAGHDAD 0394

E.O. 11652: GDS

TAGS: ENRG IZ

SUBJECT: AMOCO SI-US THREE THREE-YEAR,100,000 BARRELS PER DAY

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PAGE 02 BAGHDA 00394 010906Z

CONTRACT FOR PURCHASE OF IRAQI CRUDE

REF: BAGHDAD 367

1. E. ROY MOOR, MANAGING DIRECTOR, AMOCO SHIPPING AND TRADING
LIMITED, LONDON, VISITED USINT FEBRUARY 26 AND STATED THAT

HE HAD JUST SIGNED A THREE-YEAR CONTRACT FOR PURCHASE OF IRAQI CRUDE WITH IRAQ NATIONAL OIL COMPANY (INOC) FOR 100,000 BARRELS PER DAY. 30 PERCENT OF THIS AMOUNT IS 36 DEGREE KIRKUK AND BALANCE IS 34 DEGREE BASRAH. ALL DELIVERIES ARE TO BE VIA BWYRAH PORT FOR AMOCO'S TEXAS CITY, TEXAS, REFINERY. THIS REPLACES 20,000 BBL/DAY CONTRACT SIGNED BY AMOCO IN JANUARY 1976, WHICH EXPIRED IN DECEMBER.

2. WITHOUT STATING SPECIFIC PRICE, MOOR INDICATED, IN CONFIDENCE, THAT CONTRACT PRICE GIVES AMOCO A 5 TO 10 CENT PER BARREL ADVANTAGE OVER OTHER FIRMS. HE STATED THAT INOC INSISTED THAT DOLLAR 1.19 POST-DOHA INCREASE BE ADDED TO PRICE BUT ADMITTED THAT INITIAL PRICE HAD BEEN DISCOUNTED. PRICE IS PROVISIONAL AND SUBJECT TO REVIEW BEFORE END OF FIRST QUARTER, 1977, SUBJECT TO CHANGES IN THE MARKET PRICE FOR EQUIVALENT CRUDES. IN THE EVENT OF PRICE CHANGE, 15 DAYS NOTICE MAY BE GIVEN TO ENTER INTO NEW NEGOTIATIONS AND, IF NO AGREEMENT IS REACHED, CONTRACT MAY BE CANCELLED UPON SIXTY DAYS NOTICE. IF PRICE IS RENEGOTIATED, THE NEWLY AGREED PRICE WOULD BE RETROACTIVE TO JANUARY 1, 1972.

3. MOOR NOTED SEVERAL INTERESTING PROVISIONS IN THIS NEW CONTRACT. AFTER LENGTHY AND DIFFICULT NEGOTIATIONS, GOI YIELDED TO AMOCO CONCERNS ON PROPOSED BOYCOTT LANGUAGE AND ALSO AGREED THAT "CONTRACT CAN BE CANCELLED IN THE EVENT THAT NEW LEGISLATION IN EITHER U.S. OR IRAQ MAKES IT ILLEGAL OR FINANCIALLY BURDENSOME."

4. MOOR ALSO INDICATED, IN CONFIDENCE, THAT GOI HAS RE-CONFIDENTIAL

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PAGE 03 BAGHDA 00394 010906Z

LEATED ITS INTEREST IN "SEEKING OTHER WAYS OF DOING BUSINESS" WITH AMOCO. AMOCO WAS PREVIOUSLY QUERIED REGARDING POSSIBILITY OF PERFORMING EXPLORATION ON A SERVICE BASIS FOR GOI BUT REJECTED PROPOSAL ON GROUNDS THAT IT OFFERED NO ACCESS TO ADDITIONAL CRUDE OIL SUPPLIES. DURING CURRENT NEGOTIATION, SUBJECT CAME UP AGAIN AND MOOR INTENDS TO RETURN TO BAGHDAD IN "THIRTY TO SIXTY DAYS" TO DISCUSS POSSIBILITY OF AMOCO'S INVOLVEMENT INI PGRADING PRODUCTION OF EXISTING FIELDS, WHERE PRODUCTION IS DECLINING, IN EXCHANGE FOR RIGHTS TO 20 PERCENT OF ANY PRODUCTION INCREASE GENERATED AS A RESULT OF THEIR UPGRADING OPERATIONS. GENERAL TERMS WOULD BE SIMILAR TO PREVIOUS ARRANGEMENTS WITH SOVIET UNION, ACCORDING TO MOOR.

5. MOOR INDICATED THAT AMOCO HAS GOOD RELATIONSHIP WITH INOC AND NEGOTIATIONS ON THIS NEW CONTRACT WERE CONDUCTED IN A PROFESSIONAL MANNER.

6. REGARDING CURRENT IRAQI PRODUCTION, MOOR COMMENTED THAT HE INQUIRED ABOUT POSSIBILITY OF SPOT PURCHASE OF HALF THE

MILLION BARRELS OF IRAQI CRUDE IN MID-MARCH 1977, AND WAS ADVISED THAT NO RPT NO CRUDE IS AVAILABLE AT THAT TIME.

7. COMMENT: REPORT INDICATES GOI IS CONTINUING ITS POLICY OF ADJUSTING CRUDE PRICES TO REALITIES OF MARKET DEMAND DESPITE ITS PUBLICLY STATED POSITION ON THE POST-DOHA PRICE STRUCTURE, AS NOTED IN REFTEL. CONTRACT WORDING CONCERNING FUTURE LEGISLATIVE ACTS BY EITHER GOVERNMENT ALSO MARKS A DEVIATION FROM GOI'S USUAL EXTREME PUBLIC POSITION ON THE ARAB BOYCOTT. ALLEGED NON-AVAILABILITY OF CRUDE IN MID-MARCH IS INTERESTING INDICATION THAT GOI NOT NOW SUFFERING FROM DECLINING SALES AS RESULT OF DOHA TWO-TIER PRICING ARRANGEMENT. IT IS POSSIBLE, HOWEVER, THAT LACK OF INTEREST IN MARCH SALES IS RELATED TO RUMORED PROBLEMS WITH COMPUTER CONTROL SYSTEM AND PIPELINES AT NEW AL-BAKR LOADING TERMINAL. WILEY

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